



Skilled Engineering Limited Full Year Profit – Sales up 12% to \$736 million

MEDIA RELEASE

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Skilled Engineering Limited (Skilled – SKE) announced today sales revenue for the year was \$736 million, an increase of 12%, while net profit after tax was \$16.4 million, up from \$16.1 million last year.

The result includes 4.5 months of trading from Origin Healthcare which was acquired on 17 February 2004.

Underlying profit (EBITDA – earnings before interest tax depreciation and amortisation) for the 12 months ended 30 June 2004, was \$36.4 million compared to \$31.3 million last year, an increase of 16% confirming the company's ability to generate strong underlying cash flow. This included a number of non-recurring items*(see note below).

Managing Director and CEO of Skilled, Mr Greg Hargrave said he was pleased with the increase in both sales and profit.

“We experienced strong trading for the second half of the 2003/04 financial year which follows the excellent sales and profit performance of the previous two years.

“During the last 12 months we have continued to strategically rationalise our portfolio through the acquisition of Origin Healthcare and through the divestment of Skilled Communications Services to Service Stream Limited for a price of approximately \$10 - \$13 million,” he said.

“We have also received an offer for the Power Services business from Abigroup Limited. Negotiations between the parties are continuing and further details will be made available when the negotiations are concluded.

“Based on recent performance and our view of the immediate future, we expect earnings to continue to grow in 2004/05 in the range of 5-10%,” Mr Hargrave said.

Skilled has also completed a major review of its corporate strategy and Mr Hargrave said the business was now focused to take advantage of its strength in the managed labour services market.

“Our core brand, Skilled, is dominant in the blue collar market. We have a competitive advantage in this area and will continue to focus on this strength. Origin Healthcare enjoys a similar position in the nursing market and we will further develop our business in the customer contact, call centre market,” he said.

Mr Hargrave said that the company will continue to focus on organic growth while exploring acquisition opportunities that would add to Skilled's strategic capability and enhance shareholder value.

The group's debt position had been reduced following the Origin acquisition. Strong underlying cash flow from the traditional core business was the key to the high-quality result.

The Directors declared a fully franked final dividend of 10 cents per share taking the total dividend to 16cents per share for the year. This will be paid on Tuesday 19 October 2004. The Dividend Reinvestment Plan (DRP) operates for this dividend, giving shareholders an opportunity to reinvest their dividends in company shares.

Note: Non recurring items

These include:

- Initial costs associated with self insurance for worker's compensation in South Australia. These totalled \$1.3 million and have been offset by savings in the second half making the net cost \$0.5 million for the full year.
- Costs associated with a favourable judgment by the High Court in a case dealing with superannuation on overtime earnings for casual employees. This enabled a reversal of the \$1.7 million provisions made last year and \$0.3 million for other prior periods. This has increased the reported EBIT for the current year by \$2 million.
- A write down of \$1 million on the asset values of the Skilled Mechanical Workshops so that they more properly reflect market value.

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